

**Press Release**

**Senate Agriculture, Nutrition and Forestry Committee  
Chairman Dick Lugar, U.S. Senator for  
Indiana**

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**SENATE CONCENTRATES EFFORTS TOWARD COMPREHENSIVE TOBACCO BILL  
Lugar Urges Colleagues to End Tobacco Program, Increase Cigarette Costs, Oppose Litigation Limitations**

WASHINGTON -- As one of the committee chairmen responsible for tobacco oversight, U.S. Sen. Dick Lugar, Chairman of the Senate Agriculture, Nutrition and Forestry Committee, was called to testify today before the Senate Commerce Committee. Lugar delivered the following remarks:

I thank you and the other members of the Senate Commerce Committee for undertaking responsibility to draft and to mark-up comprehensive tobacco legislation.

The Senate Agriculture Committee has held two hearings including witnesses testifying on many tobacco issues. We do not have jurisdiction over most of these issues. We do have considerable responsibility for tobacco program arrangements which have controlled production and marketing for more than 60 years. After hearing expert testimony, I drafted S. 1313 to end the tobacco program and thus to end federal government support of tobacco production and marketing. I strongly support inclusion of S. 1313 in the comprehensive Commerce Committee bill.

My support for tobacco legislation will be guided by three basic principles:

First of all, **I favor increasing the price of a pack of cigarettes by at least \$1.50;** secondly, **I oppose any limitation on the right of any individual or group to seek legal redress;** and third, **I believe that it is simply wrong for the federal government to support tobacco farming, marketing, and warehousing.** So long as tobacco remains a legal cash crop, it should be governed purely by the market forces of supply and demand. I am hopeful that the federal tobacco program will be terminated in any comprehensive tobacco legislation which is enacted this year. I am prepared to work with this Committee or through the amendment process on the Senate floor to achieve this result. In the event that the tobacco program survives this year, I will seek opportunities to bring it to conclusion as soon as I can identify the requisite majorities.

I support a dramatic increase in the price of cigarettes because I am convinced that such a price change is the most promising program for reduction of cigarette smoking at all age levels. I have listened, carefully, to those who have advocated limits on the legal liability of tobacco companies in order to gain their consent to limit or curtail advertising aimed at young smokers or other vulnerable persons.

Advertising may be curtailed but I suspect that enough will remain -- even if not targeted at young people, along with a continuous assertion of First Amendment rights, peer pressure, and rebellion against parental or adult guidance -- that creative anti-smoking programs for the young will have limited success.

For the foreseeable future, court cases involving tobacco company defendants have a strong probability of publishing tobacco marketing, research, and production papers that will reinforce public antipathy to unhealthy and addictive tobacco products.

The extraordinary difficulty of persuading anyone to cease smoking has been illustrated starkly by a 16-year study of 1169 patients who underwent angioplasty, a procedure to clear blocked blood vessels, at the Mayo Clinic. 63% of these patients continued to smoke. Over half of those who actually suffered a heart attack continued to smoke. The patients least likely to give up smoking were the younger patients who smoked the most.

This study demonstrated powerful addiction. It also means that health costs, many of them borne by society in general, are likely to continue for the treatment of tobacco users. There is surely a reasonable conclusion that some of these public health costs should be identified in courts of law and that appropriate federal, state, and local governments should be

reimbursed.

Even while justice is served, Congress can make certain that a \$1.50 per pack increase provides a strong price disincentive to smoke along with a certain cash flow to reimburse appropriate government health programs.

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It would be blatantly inconsistent to enact the public policy measures I have advocated and then to continue a federal support system for the growing, marketing, and warehousing of tobacco.

Many Senators believe that legislation should address the equities of tobacco farmers, but there is disagreement on how this should be done. Last fall, I introduced S. 1313 to require a buy out of tobacco quotas, transition payments to farmers who do not own quotas, assistance for local communities, and an end to the federal tobacco subsidy.

The government maintains a price support system and a rigorous regime of production controls on tobacco. The production controls--licenses to grow, or "quotas"--are a thing of the past for most other crops. They persist for tobacco.

Many Americans are unaware that the same government that tells you not to smoke, that taxes cigarettes, that spends money on cancer research, that incurs billions of dollars in Medicare and Medicaid costs because of smoking--that same government makes it lucrative to grow tobacco by guaranteeing a price and limiting supply.

It makes no sense for our government to do this. We should stop. This legislation is an opportunity to do that.

Tobacco farmers are not the enemy. They did not create the tobacco program. Indeed, few of today's active tobacco farmers were alive when it began.

For 60 years, the government has maintained a system that created value and capitalized it into land, buildings, and machinery. To end that system overnight, without compensation, would not be just.

Therefore, my proposal, S. 1313, would buy out tobacco quotas at \$8 per pound. Quota owners would receive three annual payments beginning in 1999. They could continue to grow tobacco, but federal price supports would be phased out over three years. As an alternative, quota owners could receive the entire payment up front if they agreed not to grow tobacco in the future.

Farmers who lease tobacco quota from others, and tenant farmers, would receive transition payments of 40 cents per pound of quota for three years. These payments are less than the quota buy out. These farmers' production costs will fall immediately because they will no longer have to lease quotas from those who own them. Lease rates are about 40 cents per pound, a substantial portion of production costs.

Finally, tobacco-dependent states would receive \$100 million per year for three years in community assistance. The states would have substantial flexibility on how to spend the funds, which would be similar to block grants. The total cost of this bill is about \$15 billion.

It would not be affordable outside the context of this legislation, and that is why I want to sound a note of caution for those who wish to perpetuate the current program. I believe that the tobacco program is likely to collapse for either economic or political reasons, or both. If that happens, this legislative opportunity will have come and gone, there will be no money and therefore no buy out.

About 40% of tobacco used in this country is imported, up from only 10% just 30 years ago. The foreign leaf's quality is not yet equal to U.S.-grown tobacco, but it is closing the gap. Neither demand nor the regulatory climate in the U.S. will become more favorable for tobacco growers. Already, U.S. tobacco is less competitive in world markets.

Diminishing demand and growing supply will eventually make the current tobacco program unsustainable--if the public does not demand its end first. It is unrealistic to expect that the program will not be subjected to repeated attack in the years ahead.

Benefits to tobacco farmers are an admittedly small part of the legislation we are all

considering. However, a bill that fails to end the tobacco price support program, while compensating farmers in a fair way, will be an imperfect bill at best. And, it will not be in the long-term interest of the farmers who grow tobacco.

Mr. Chairman, your task in reconciling so many strongly held views on legislation and the reticence of some members to legislate at all should be recognized by your colleagues. I am supportive of this hearing and of your willingness to hear many views before asking the Commerce Committee to take historic action. My advice is to raise the price of tobacco products so radically as to alter consumption of these products and, prayerfully, to alter very strong habits. Do not let the legislation founder over endless liability limitation arguments. But please do let sound agriculture and health policy triumph by ending the current tobacco program with just compensation to those who may be closing out a way of life. We have a remarkable opportunity to give our country a quantum leap in the quality of life.

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